

# **SIYANCUMA MUNISIPALITEIT SIYANCUMA MUNICIPALITY**

**FINANSIELE STATE VIR DIE JAAR GEEINDIG 30 JUNIE 2007  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

## **SIYANCUMA MUNISIPALITEIT/MUNICIPALITY**

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## ALGEMENE INLIGTING/GENERAL INFORMATION

### LEDE VAN DIE RAAD VAN SIYANCUMA/MEMBERS OF THE COUNCIL OF SIYANCUMA MUNICIPALITY

**Burgemeester:/Mayor:**

Raadslid/Councillor: R Gallant

**Spreker:/Speaker:**

Raadslid/Councillor: R Ruele

**Lede van die Raad:/Members of the Council:**

Raadslid/Councillor: A Visagie

Raadslid/Councillor: K Mgade

Raadslid/Councillor: L Olifant

Raadslid/Councillor: JH Schreuder

Raadslid/Councillor: AS Marekwa

Raadslid/Councillor: CC Olyn

Raadslid/Councillor: F Swarts

**Gradering van Plaaslike Owerheid:/Grading of the local Authority:**

Graad 2/Grade 2

**Ouditeure:/Auditors:**

Die Ouditeur – Generaal/Auditor General

**Bankiers:/Bankers:**

STANDARD BANK . DOUGLAS 8750.

**Geregistreeerde Kantoer:/Registered Office:**

Burgersentrum

Charl Cillersstraat

Douglas

8730

**Posadres:/Postal Address:**

Posbus/PO Box 27

Douglas

7730

**Telefoon:/Telephone:** (053) 2981810

**Faks: /Fax:** (053) 2983090

**Munisipale Bestuurder:/Municipal Manager:**

Mnr/Mr M Mogale

**Approval of financial statements:**

The annual financial statements for the year ended 30 June 2006 set out on pages 3 to 34 were approved by the Municipal Manager on \_\_\_\_\_ and presented to and approved by Council on \_\_\_\_\_.

\_\_\_\_\_  
Municipal Manager: M Mogale

\_\_\_\_\_  
Mayor: R Gallant

## **MAYOR'S FOREWORD**

It is expected from a Municipality to provide defined services to the community as prescribed in the Constitution. National and Provincial Governments are enacted to have an executive and legislative authority over the rendering of municipal services and are therefore in a position to manage and control the fiscal power of the Municipality.

Notwithstanding the limited resources available to ensure sustainability in attending to our responsibilities, it is our duty to render services in a cost effective, sustainable and affordable manner to the communities.

Although the latter half of the year under review has been very difficult from a financial and planning point of view, I am glad to report that the Town Council and its personnel were able to obtain more than acceptable results and to achieve most of the goals set.

Perseverance in performance is the keystone of the municipal management processes and I am hopeful that we will be able to be sustainable in this regard. Challenges are not unbridgeable and we will continue to ensure sustainability in attending to our responsibilities which will always be an essential factor in the planning of a budget that enhance established municipality's assets, infra-structure and properties.

In conclusion I would like to express my appreciation to the Executive Committee, Council, Municipal Manager, Departmental Heads and all other personnel for their support, co-operation and hard work during the past year.

Thank you

CLR R GALLANT  
MAYOR

Siyancuma Municipality  
Financial Statements for the year ending 30 June 2007

## **REKENINGKUNDIGE BELEID**

### **1. Basis van aanbidding**

- 1.1 Hierdie finansiële state is opgestel om te voldoen aan die standaard neergelê deur die Instituut van Munisipale Tesouriers en Rekenmeesters in sy **Gebruikskode vir die Rekeningkunde van Plaaslike Owerhede(1992)** en die **Verslag oor die Standaardisering van die Finansiële State van Plaaslike Owerhede (jongste gewysigde uitgawe)**.
- 1.2 Die finansiële state word op die historiese kostebasis opgestel en aangepas vir vaste bates, soos uiteengesit in rekeningkundige beleid, item 3. Die rekeningkundige beleid stem ooreen met die van die vorige jaar, behalwe waar anders aangedui.
- 1.3 Die finansiële state word volgens die toevallingsgrondslag opgestel:
- Inkomste word erken wanneer dit meetbaar en invorderbaar word. Sekere direkte inkomste soos verkeersboetes en sekere lisensies word erken wanneer dit betaal word.
  - Uitgawe word erken in die jaar waarin dit aangegaan word.

### **2 Konsolidering**

Die balansstaat omsluit Belasting- en Algemene Dienste, Behuisingdienste, Handelsdienste en die verskillende fondse, reserwes en voorsienings. Alle interdepartementele transaksies word teen mekaar verreken, behalwe in die geval van eiendomsbelasting, elektrisiteit, vullisverwydering en water wat as inkomste en uitgawe in die onderskeie departemente behandel word.

### **3 Vaste Bates**

- 3.1 Vaste bates word getoon:
- teen historiese koste; of
  - teen waardasie (gebaseer op die markprys op die datum van verkryging), waar bates deur middel van 'n toekenning of skenking verkry is,
- terwyl dit bestaan en geskik is vir gebruik, behalwe in die geval van massa-bates wat aan die einde van hul beraamde lewensduur, soos vasgestel deur die tesourier, afgeskryf word.
- 3.2 Waardevermindering:
- Die saldo wat teen die opskrif “Lenings Afgelos en Ander Kapitaalontvangste” in die aantekening tot die balansstaat getoon word, is gelykstaande aan 'n voorsiening vir waardevermindering. Behalwe vir voorskotte uit die verskillende raadsfondse, kan bates ook op die volgende wyse verkry word:
- Toewysings uit inkomste, waar die volle koste van die bate 'n onmiddellike en direkte heffing teen bedryfsinkomste vorm, en dit dus nie nodig is om enige verdere voorsiening vir waardevermindering te maak nie.
  - Toekenning of skenking, waar die bedrag wat die waarde van so 'n toekenning of skenking verteenwoordig, onmiddellik na die “Lenings Afgelos en Ander Kapitaalontvangste”-rekening gekrediteer word.
- 3.3 Die netto opbrengs uit die verkoop van roerende vaste bates word na die Wentelfonds gekrediteer. Indien onroerende bates soos grond en geboue verkoop word, word die netto opbrengs daarvan teen die Wentelfonds gekrediteer.
- 3.4 Kapitaalbates word uit verskillende bronne gefinansier, insluitend eksterne lenings, bedryfsinkomste en interne voorskotte. Die lenings en voorskotte word terugbetaal binne die beraamde nuttige lewensduur van die bates wat uit sodanige lenings en voorskotte gefinansier word. Rente word teen die heersende rentekoers ten tye van die toestaan van die voorskot teen die betrokke diens gedebiteer.

#### **4 Voorraad**

Voorraad word waardeer teen die laagste van koste, vasgestel volgens die geweege gemiddelde grondslag, en die netto realiseerbare waarde.

#### **5 Fondse en reserwes**

##### **5.1 Wentelfonds**

Die Ordonnansie op die Wentelfonds, nr 20 van 1974, vereis dat 'n plaaslike owerheid 'n bydrae van 7.5% van die erfbelasting inkomste van die onmiddellik voorafgaande jaar of die vorige jaar bydrae plus 20% tot die fonds sal maak welke bydrae die kleinste die verpligte bydrae is.

##### **5.2 Leningsdelgingsfonds**

Die delging van Eksterne Lenings in die Gekonsolideerde Leningsfonds word voorsien deur die jaarlikse terugbetaling van voorskotte wat aan leendienste gemaak is, bereken volgens die beraamde nuttige lewensduur van die bates aangeskaf, dog onderhewig aan 'n maksimum van 30 jaar op die lewensduur van enige individuele bate. Interne voorskotte word in die verhouding tot die beraamde nuttige lewensduur van 'n bate terugbetaal. Die delging van staatslenings word halfjaarliks op 'n annuïteitgrondslag gedoen.

##### **5.3 Trustfonds**

Bogenoemde fondse word gehou vir 'n spesifieke doel en die Raad kan op geen stadium gebruik maak van hierdie fonds vir enige ander gebruik as waarvoor die fonds oorspronklik gestig was nie.

#### **6. Voorsienings**

Voorsienings word gestig om verpligtings of gebeurlikhede wat ten tye van die balansstaat bekend is, maar waarvan die betrokke bedrae nie met redelike sekerheid bepaal kan word nie, na te kom. Voorsienings wat 'n vermindering in die waarde van gepaardgaande bedryfsbates verteenwoordig, word in die betrokke aantekeninge direk van die totaal van die betrokke bates afgetrek en dus nie afsonderlik in aantekening 12 getoon nie.

#### **7. Aftreevoordele**

Die Raad en sy werknemers dra by tot die Kaapse Gemeenskaplike Pensioenfonds en SALA, terwyl sy raadslede tot die Pensioenfonds vir Raadslede bydra.

Die aftreevoordeleplan is onderhewig aan die Wet op Pensioenfondse, 1956 en pensioene word bereken volgens die laaste pensioendraende vergoeding betaal. Huidige bydraes word teen bedryfsinkomste gehef, gegrond op huidige dienskoste. Ongunstige ondervindingsaanpassings en die koste van die versekering van verhoogde voordele word afgeskryf oor die kleinste van die oorblywende dienstydkperk van werknemers of vyf jaar. Gunstige ondervindingsaanpassings word in die aftreevoordeleplan behou.

#### **8. Oorskotte en tekorte**

Enige oorskotte of tekorte wat uit die bedryf van Elektriesiteits- en Waterdienste voortspruit, word ten volle na Belasting- en Algemene Dienste oorgedra.

#### **9. Behandeling van administratiewe en ander koste**

Die koste van interne hulpdienste word, in ooreenstemming met die riglyne in die Instituut se Verslag oor die Rekeningkundige Behandeling (1990), teen die verskillende dienste gedebeiteer.

#### **10. Bruikhuur – bates**

Vaste bates wat gebruikhuur word, word gekapitaliseer. Die vaste bates wrd gekapitaliseer oor die tydperk van die bruikhuur ooreenkoms.

## **11. Beleggings**

Beleggings word teen die laagste van koste of markwaarde getoon indien daar 'n voortdurende afname in waarde is. Beleggings word gedoen ooreenkomstig Omsendbrief nr LG/PB/31/1992 van 28 September 1992 en Omsendbrief C/35/1994 van 13 Julie 1994 soos uitgereik deur Tak Gemeenskapsdienste.

## **12. Uitgestelde Koste**

Die Raad beskik oor geen uitgestelde koste nie.

## **13. Inkomste-erkenning**

### **13.1 Elektrisiteit en waterheffings**

Meters in alle gebiede en op standplase met hoogspanningstoevoer word maandeliks gelees en gefaktureer.

### **13.2 Eiendomsbelasting**

Siyancuma Munisipaliteit maak van 'n gedifferensieerde terreinwaarde-belastingstelsel gebruik. Volgens hierdie stelsel word eiendomsbelasting op die grondwaarde van eiendomme gehef. Die besigheidspersele betaal ook 'n klein heffing vir parkering. Verligting word aan behoeftige en bejaarde eienaars op grond van inkomste en ouderdom gegee.

### **13.3 Ander inkomste**

Die inkomste van dienste soos vullisverwydering en riolering wat deur middel van debiteure verhaal word, word erken wanner sodanige heffings teen die rekenings gedebiteer word. Die inkomste uit ander (kleiner) dienste, lisensies of gelde word erken wanner dit betaal word.

## **14 Gekonsolideerde Leningsfonds**

Die kapitaalhulpbronne van die Gekonsolideerde Leningsfonds bestaan uit beide eksterne en interne lenings. Voorskotte word aan die leendienst toegestaan teen 'n rentekoers gelykstaande aan die koste van die Fonds se kapitaalbehoefte, en word terugbetaal oor die nuttige lewensduur van die bates wat so gefinansier word.

Siyancuma Munisipaliteit  
Finansiele State Vir Die Jaar Geeindig 30 Junie 2007

## **ACCOUNTING POLICIES**

### **1. Basis of presentation**

- 1.1 The financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Practice (1992) and Report on Published Annual Financial Statements (Second Edition - January 1996).
- 1.2 The financial statements are prepared on the historical cost basis and adjusted for fixed assets, as set out in accounting policy, note 3. The accounting policies are consistent with those applied in the previous year, except where otherwise indicated.
- 1.3 The financial statements are prepared according to the accrual basis:
  - Income is accrued when measurable and available to finance operations. Certain direct income, such as traffic fines and certain licenses, is accrued when received.
  - Expenditure is accrued in the year it is incurred.

### **2. Consolidation**

The financial statements include Rates and General Services, Housing Services, Trading Services and the different funds, reserves and provisions. All interdepartmental transactions are set-off against one another, with the exception of assessment rates, electricity, refuse removal and water, which are treated as income and expenditure in the respective departments.

### **3. Fixed Assets**

- 3.1 Fixed Assets are stated:
  - at historical cost, or
  - at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the treasurer.
- 3.2 Depreciation:
 

The balance shown in the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation. Apart from provisions from the various council funds, assets may also be acquired through:

  - Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income and it is therefore unnecessary to make any further provision for depreciation.
  - Grant and donation, where the amount representing the value of such a grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.
- 3.3 All net proceeds from the sale of movable property are credited to the revolving fund. Net proceeds from the sale of all fixed assets are credited to the revolving fund.
- 3.4 Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.



#### **4. Stock**

Stock is valued at the lower of cost, determined on the weighted average basis, and net realisable value.

#### **5. Funds and reserves**

##### **5.4 Revolving Fund**

The Ordinance on Revolving Funds, no 20 of 1974, requires that a local authority makes a contribution of 7,5% of the rates assessment income for the immediately preceding year or the previous year's contribution plus 20% to the fund, whichever contribution is the smallest of the compulsory contribution.

##### **5.5 Loan redemption fund**

The redemption of External Loans in the Consolidated Loan Fund is provided through the annual repayment of advances made to the borrowing services, calculated according to the estimated useful lives of the assets acquired, but still subject to a maximum of 30 years on the life expectancy of any individual asset. Internal loans are repaid proportionately according to the expected useful lives of an asset. The redemption of government loans are done half yearly on an annuity basis

##### **5.6 Trust Funds**

The fund was established for a specific purpose. Council may not use these funds for any other purposes.

#### **6. Provisions**

Provisions are made to meet liabilities or contingencies, known at the time of the balance sheet, but for which the amounts concerned cannot be estimated with reasonable certainty. Provisions, which represent a reduction in the value of the assets concerned, are in the applicable notes deducted directly from the total of the assets concerned and are not therefore shown separately in note 12.

#### **7. Retirement Benefits**

Council and its employees contribute to the Cape Joint Pension Fund and SALA. Councillors contribute to the Pension Fund for Councillors.

The retirement benefit plan is subject to the Pensions Act of 1956 with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current service cost. Unfavourable experience adjustments and the cost of insurance of increased benefits is written off over the smallest of the remaining service period of employees or five years. Favourable experience adjustments are retained in the retirement benefit plan.

#### **6. Surpluses and deficits**

Any surpluses or deficits arising from the operation of electricity and water services are transferred to Rates and General Services.

#### **7. Treatment of administration and other overhead expenses**

The cost of internal support is transferred to the different services in accordance with the Institute Report on Accounting for Support Services (1990).

#### **8. Leased assets**

Fixed assets held under finance lease are capitalised. Such assets are effectively amortised over the term of the lease agreement.

## **9. Investments**

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred. Investments are made in accordance with Circular no LG/PB/31/1992 of 28 September 1992 and Circular no C/35/1994 of 13 July 1994 as issued by Provincial Administration - Community Service Branch.

## **10. Deferred charges**

The council has no deferred charges.

## **11. Income recognition**

### **13.1 Electricity and water billings**

Meters in all areas and on plots with high voltage supply are read and billed monthly.

### **13.2 Assessment rates**

Siyancuma Municipality applies a differential tariff rating system.. In terms of this system assessment rates are levied on the land value of the property. Businesses also pay a small amount for parking. Discount is given based on conditions relating to age and income.

### **14.3 Other income**

Income from services like refuse removal and sewerage, which are recouped through debtors, are recognised as soon as such services are debited against the accounts. Income from smaller services, licences or monies are recognised when they are paid.

## **15 Consolidated Loans Fund**

The capital resources of the Consolidated Loan Fund consist of both external and internal loans. Advances are made to borrowing departments at an interest rate equal to the cost of the Fund's capital requirements and are repaid over the useful life of the asset acquired.

Siyancuma Municipality  
Financial Statements for the year ending 30 June 2007

**DIE TESOURIER SE VERSLAG : JAAR EINDE 30 JUNIE 2007.****1. Inleiding**

Dit is vir my aangenaam om 'n beknopte oorsig oor die afgelope finansiële jaar se bedryfsresultate te gee.  
Die bedryfstekort van R5 835 972 met 'n positiewe aanwending van R96 058 het meegebring dat die opgehoopte tekort vanaf R5 835 971 na n opgehoopte tekort van R 11 308 182 omskep is.

**Debiteure**

1.1.1) Handel debiteure het afgeneem van R7 478 449 na R4 888 272 wat 'n afname van R2 590 177 is. Die voorsiening vir oninbare skuld beloop R14 581 042.

**Bank**

1.1.1 Die oortrokke bank saldo het met R1 975 638 toegeneem vanaf R2 906 513 na R4 882 151 .

**2. Bedryfsresultate**

Inkomste	Werklike 2006	Werklike 2007	Afwyking 2006/2007	Begroot 2007	Afwyking Werklike/Begroot
	R	R	%	R	%
Begin tekort	1 088 932	-5 835 972		0	
Bedryfsinkomste vir die jaar	28 911 141	32 454 371	12.26%	35 040 707	-7.38%
Eind tekort					
Totaal	30 000 073	26 618 399		35 040 707	
Begin oorskot					
Bedryfsuitgawe vir die jaar	35 942 084	38 022 638	5.79%	35 027 273	8.55%
Diverse oordragte	106 040	96 058			
Eind oorskot	-5 835 972	-11 308 180		13 434	

## 2.1 BEDRYFSUITGAWES

As gevolg van die uitstaande debiteure en ook die heersende ekonomiese klimaat was 'n streng beleid op uitgawes toegepas.

Hieronder is 'n uiteensetting van die begrote bedryfsuitgawes teenoor die werklike:

	Salarisse Lone & Toelaes	Algemene Uitgawes	Instand- houding	Kapitaal Onkoste	Bydraes uit Inkomste	Elders gedebiteer
				R		R
Begroot	15 515 621	11 542 869	1 812 033	1 387 243	19 785	5 433 870
Werklike	16 845 883	12 194 929	2 028 883	1 519 654	1 811	5 433 870
Verskil	-1 330 262	-652 060	-216 850	-132 411	17 974	0
% (Oor)/Onder	-8.57%	-5.65%	-11.97%	-9.54%	90.85%	0.00%

## 2.2 Ekonomiese Dienste

### *Riool en Reinigingsdienste*

Riool en Reinigingsdienste het met 'n surplus van R9 537 420 afgesluit .

## 2.3 Gesubsideerde dienste

Gesubsidieerde dienste het met 'n tekort van R 2 535 346 afgesluit.

## 2.4 Gemeenskapdienste

Gemeenskapdienste het met 'n tekort van R10 033 033 afgesluit.

## 2.5 Belasting en Algemeen dienste

Belasting en Algemeen dienste word as volg opgesom

	Werklike	Werklike	Afwyking-2006	Begroot	Afwyking
	2006	2007	teenoor-2007	2007	Werklike/begroot
	R		%	R	%
Inkomste	14 831 391	16 211 349	9.30%	16 649 354	2.63%
Uitgawe	26 932 092	27 842 308	3.38%	21 926 884	-26.98%
Oorskot/(Tekort)	-12 100 700	-11 630 959	-3.88%	-5 277 530	-120.39%
Tekort as % van					
totale inkomste	-81.59%	-71.75%		-31.70%	

## 2.6 Handelsdienste

Die aankooppryse/verkooppryse van elektrisiteit word deur NERSA bepaal  
Grootmaak water word deur bestaande kontrakte gereel. Elektrisiteit tariewe word deur die NER gereguleer.

Hieronder volg opsommings van die bedryfsresultate van die twee Handelsdienste:

### Elektrisiteit

	Werklike	Werklike	Afwyking-2006	Begroot	Afwyking
	2006	2007	teenoor-2007	2007	Werklike/begroot
	R	R	R	R	%
Inkomste	9 825 663	11 221 817	14.21%	7 441 398	-50.80%
Uitgawe	7 417 120	8 763 843	18.16%	5 808 117	-50.89%
Oorskot/(Tekort)	2 408 542	2 457 974	2.05%	1 633 281	-50.49%
Oorskot/(Tekort) as % van					
van totale inkomste	24.51%	21.90%		21.95%	

### Water

	Werklike	Werklike	Afwyking-2006	Begroot	Afwyking
	2006	2007	teenoor-2007	2007	Werklike/begroot
	R	R	R	R	%
Inkomste	4 254 086	5 021 205	18.03%	5 595 508	10.26%
Uitgawe	1 592 873	1 416 487	-11.07%	1 908 569	25.78%
Oorskot	2 661 214	3 604 717	35.45%	3 686 939	2.23%
Oorskot as % van					
totale inkomste	62.56%	71.79%		65.89%	

### 3. Kapitaaluitgawes en finansiering

	Werklike 2005/2006 R	Begroot 2006/2007 R	Werklike 2006/2007 R
Behuising		-	
Eiendomme	-	-	449 050
Raadseiendomme	14 629	-	-
Werke en Paaie	1 421 370	516 000	1 074 484
Stadsklerk	1 135 641	-	-
Openbare werke	-	-	-
Parke en ontspanning	19 950	-	-
Strate en Stormwater		-	-
Stadsadministrasie	42 850	19 785	522 149
Reiniging/Riolering	647 898	900 000	4 937 245
Water	1 354 545	-	-
Elektrisiteit	6 726	1 100 000	820 171
Biblioteke	4 099	-	6 000
Douglas vakansie - oord	-	-	452 739
Totaal	4 647 708	2 535 785	8 261 838

Hulpbronne wat gebruik is om die vaste bates te finansier, was die volgende:

	Werklike 2005/2006 R	Begroot 2006/2007 R	Werklik 2006/2007 R
Interne/Eksterne voorskotte	-	-	-
Skenking	4 566 552	2 000 000	7 803 099
Bydraes uit bedryfsinkomste	81 155	535 785	458 739
Tydlike voorskotte			
Totaal	4 647 707	2 535 785	8 261 838

### 4. Eksterne Lenings, beleggings en kontant

Op 30 Junie 2007 het uitstaande eksterne lenings R1 117 374 beloop (R1 190 188 in 2006)

Meer besonderhede aangaande lenings en beleggings word in aantekeninge 4 en 7 en aanhangsel B tot die finansiële state getoon.

### 5. Fondse en Reserwes

Op 30 Junie 2007 het fondse en reserwes R5 410 018 beloop (R4 934 851 in 2006)

Meer besonderhede aangaande fondse en reserwes word in aantekeninge 1 tot 3 en aanhangsel A gegee.

# REPORT OF THE TREASURER : YEAR END 30 JUNE 2007

## 1. Introduction

It is my pleasure to present an overview of the operating results for the year ended 30 June 2007. The net deficit of R5 835 972 added with positive appropriations of R96 058 caused the accumulated deficit to increase from R5 835 972 to a deficit of R11 308 180.

## Debtors

1.1 Trade debtors decreased from R7 478 449 to R4 888 272, a decrease of R2 590 177. The provision for bad debts stand at R14 581 042.

## Bank

1.2 The bank overdraft increased with R1 975 638, from R2 906 513 to R4 882 151.

## 2. Operating results

Income	Actual 2006	Actual 2007	Variance 2006/2007	Budget 2007	Variance Actual/Budget
	R	R	%	R	%
Opening surplus	1 088 932	-5 835 972		0	
Operating income for the year	28 911 141	32 454 371	12.26%	35 040 707	-7.38%
Closing deficit					
Total	30 000 073	26 618 399		35 040 707	
Opening deficit					
Operating expenditure for the year	35 942 084	38 022 638	5.79%	35 027 273	8.55%
Sundry transfers	106 040	96 058			
Closing surplus/(deficit)	-5 835 972	-11 308 180		13 434	

## 2.1 OPERATING EXPENSES

Outstanding debtors, and the current economic situation, resulted in stringent control over expenditure. Here follow a summary of budgeted operating expenditure against actual expenditure.

	Salaries wages & allowances R	General Expenses R	Maintenance R	Capital charges R	Contributions from Income R	Debited R
Budget	15 515 621	11 542 869	1 812 033	1 387 243	153 185	6 421 386
Actual	16 845 883	12 194 929	2 028 883	1 519 654	81 155	6 421 386
Difference	-1 330 262	-652 060	-216 850	-132 411	72 030	0
% (Over)/Under	-8.57%	-5.65%	-11.97%	-9.54%	47.02%	0.00%

## 2.2 Economic services

### *Cleaning and sewerage*

Sewerage and cleaning closed with a surplus of R937 420.

## 2.3 Subsidised services

Subsidised services closed with a deficit of R2 535 346.

## 2.4 Community services

Community services closed with a deficit of R10 033 033.



## 2.5 Rates and general services

Rates and general services are summarised as below:

	Actual	Actual	Variance	Budget	Variance
	2006	2007	2006/2007	2007	Actual/Budget
	R		%	R	%
Income	14 831 391	16 211 349	9.30%	16 649 354	2.63%
Expenditure	26 932 092	27 842 308	3.38%	21 926 884	-26.98%
Surplus/(Deficit)	-12 100 700	-11 630 959	-3.88%	-5 277 530	-120.39%
Surplus/(Deficit) as % of total income	-81.59%	-71.75%		-31.70%	

## 2.6 Trading services

Bulk electricity is supplied by ESCOM. Electricity tariff are regulated by NERSA.  
Bulk water purchases are supplied by existing contracts.

Here follow a summary of the operating results of the two trading services:

### Electricity

	Actual	Actual	Variance	Budget	Variance
	2006	2007	2006/2007	2007	Actual/Budget
	R	R	R	R	%
Income	9 825 663	11 221 817	14.21%	7 441 398	-50.80%
Expenditure	7 417 120	8 763 843	18.16%	5 808 117	-50.89%
Surplus/(Deficit)	2 408 542	2 457 974	2.05%	1 633 281	-50.49%
Surplus/(Deficit) as % of total income	24.51%	21.90%		21.95%	

### Water

	Actual	Actual	Variance	Budget	Variance
	2006	2007	2006/2007	2007	Actual/Budget
	R	R	R	R	%
Income	4 254 086	5 021 205	18.03%	5 595 508	10.26%
Expenditure	1 592 873	1 416 487	-11.07%	1 908 569	25.78%
Surplus/(Deficit)	2 661 214	3 604 717	35.45%	3 686 939	2.23%
Surplus/(Deficit) as % of total income	62.56%	71.79%		65.89%	

### 3. Capital expenditure and financing

	Actual 2005/2006 R	Budget 2006/2007 R	Actual 2006/2007 R
Housing			
Properties		-	449 050
Council properties	14 629	-	-
Works and Roads	1 421 370	516 000	1 074 484
Treasury	1 135 641	-	-
Public works	-	-	-
Parks and recreations	19 950	-	-
Streets and stormwater		-	-
Town administration	42 850	19 785	522 149
Cleaning and sanitation	647 898		
Sewerage	1 354 545	900 000	4 937 245
Water	6 726	0	820 171
Electricity	4 099	1 100 000	6 000
Libraries	-		452 739
Douglas; Holiday Resort	-		-
	-	-	-
<b>Total</b>	<b>4 647 708</b>	<b>2 535 785</b>	<b>8 261 838</b>

Resources used to financed fixed assets are as follow:

	Actual 2005/2006 R	Budget 2006/2007 R	Actual 2006/2007 R
Internal advances	-	-	
Donations	4 566 552	2 000 000	7 803 099.00
Contributions from operating income	81 155	535 785	458 739
Provisions and reserves			-
Temporary advances			
<b>Total</b>	<b>4 647 707</b>	<b>2 535 785</b>	<b>8 261 838</b>

### 4. External loans, investments and cash

On 30 June 2007 external loans amounted to R1 117 374 ( R1 190 188 in 2006).

More information regarding loans and investments are disclosed in notes (4 and 7) and Appendix B' to the financial statements.

### 5. Funds and reserves

On 30 June 2007 total funds amounted to R5 410 018 ( R4 934 851 in 2006)

More information regarding funds and reserves are disclosed in notes 1 to 3 and Appendix 'A' to the financial statements.

**BALANSSTAAT SOOS OP 30 JUNIE 2007  
BALANCE SHEET AS AT 30 JUNE 2007**

	<b>Aant Note</b>	<b>2006/2007</b>	<b>2005/2006</b>
<b>KAPITAAL AANGEWEND/ CAPITAL EMPLOYED</b>			
		5 410 018	4 934 851
Opgehoopte Fondse/Accumulated Funds	1	5 410 018	4 934 851
<b>OPGEHOOPTE TEKORT/ACCUMULATED DEFICIT ONAANGEWENDE INKOMSTE/RETAINED SURPLUS</b>			
	15	-11 308 180	-5 835 972
		-5 898 162	-901 121
<b>TRUSTFONDSE/TRUST FUNDS</b>			
	2	3 059 063	5 811 679
<b>LANGTERMYN VERPLIGTINGS/LONG-TERM LIABILITIES</b>			
	3	958 254	1 051 052
<b>VERBRUIKERSDEPOSITO'S/CONSUMER DEPOSITS</b>			
	4	147 803	124 899
		-1 733 042	6 086 509
<b>AANWENDING VAN KAPITAAL EMPLOYMENT OF CAPITAL</b>			
<b>VASTE BATES/FIXED ASSETS</b>			
	5	1 117 375	1 190 188
<b>BELEGGINGS/INVESTMENTS</b>			
	6	35 235	33 441
<b>LANGTERMYN DEBITEURE/LONG-TERM DEBTORS</b>			
	7	0	0
		1 152 610	1 223 629
<b>NETTO BEDRYFSBATES /(LASTE)/ NET CURRENT ASSETS(LIABILITIES)</b>			
		-2 885 649	4 862 882
<b>BEDRYFSBATES/CURRENT ASSETS</b>			
		5 996 174	10 370 566
<b>Debiteure/Debtors</b>			
	8	4 888 272	7 478 448
<b>Korttermyn beleggings/ shortterm investements</b>			
	6	1 083 055	2 770 236
<b>Langtermyndebiteure: Korttermyn gedeelte/ Long-term debtors: Short-term portion</b>			
	7	-	-
<b>Kontant/Cash</b>			
		24 845	121 882
<b>BEDRYFSLASTE/CURRENT LIABILITIES</b>			
		8 881 822	5 507 683
<b>Krediteure/Creditors</b>			
	10	3 617 669	2 150 317
<b>Voorsienings/Provisions</b>			
	9	222 883	311 718
<b>Lenings : Korttermyn gedeelte/ Loans : Short term portion</b>			
	3	159 120	139 135
<b>Bankoortrekkings/Bank overdraft</b>			
		4 882 151	2 906 513
		-1 733 042	6 086 509

Munisipale Bestuurder  
Municipal Manager

Hoof Finansiële Beampte  
Chief Financial Officer

**INKOMSTESTAAT VIR DIE BOEKJAAR GEËINDIG OP 30 JUNIE 2007**  
**INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

2005/2006 Werklike Inkomste Actual Income R	2005/2006 Werklike Uitgawe Actual Expenditure R	2005/2006 Oorskot/ (Tekort) Surplus/ Deficit R		2006/2007 Werklike Inkomste Actual Income R	2006/2007 Werklike Uitgawe Actual Expenditure R	2006/2007 Oorskot/ (Tekort) Surplus/ Deficit R	2006/2007 Begroting Oorskot /Tekort Budget Surplus/(Deficit) R
14 831 391	26 932 092	-12 100 700	<b>BELASTING &amp; ALGEMENEDIENSTE/ RATES AND GENERAL SERVICES</b>	16 211 349	27 842 307	-11 630 958	-6 759 633
9 930 834	20 823 299	-10 892 464	Gemeenskapsdienste/Community services	11 075 988	21 109 021	-10 033 033	-5 379 743
285 971	2 452 706	-2 166 736	Gesubsidieerde dienste/Subsidised services	245 927	2 781 273	-2 535 346	-2 230 407
4 614 586	3 656 086	958 500	Ekonomiese dienste/Economic services	4 889 434	3 952 015	937 420	850 517
-	-	0	<b>BEHUISINGSDIENSTE/HOUSING SERVICES</b>	-	-	-	-
14 079 749	9 009 993	5 069 756	<b>HANDELSDIENSTE/TRADING SERVICES</b>	16 243 022	10 180 331	6 062 691	5 490 838
28 911 141	35 942 084	-7 030 944	<b>TOTAAL/TOTAL</b>	32 454 370	38 022 637	-5 568 267	-1 268 795
		106 040	Aanwendings vir die jaar/Appropriations for the year			96 058	
		-6 924 904	Netto Oorskot/ (Tekort) vir die jaar Net Surplus/(Deficit) for the year			-5 472 209	
		1 088 932	Onaangewende Oorskot /(Opgehoopte Tekort) begin van die jaar Accumulated surplus/(Deficit) beginning of the year			-5 835 971	
		-5 835 971	ONAANGEWENDE OORSKOT/(TEKORT) EINDE VAN JAAR ACCUMULATED SURPLUS/(DEFICIT) END OF YEAR			-11 308 180	
			SIYANCUMA MUNICIPALITY FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2007.				

**KONTANTVLOEISTAAT VIR DIE JAAR GEËINDIG OP 30 JUNIE 2007**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

	Aant Note	2006/2007	2005/2006
<b>KONTANT TERUGGEHOU UIT BEDRYWIGHEDE</b>			
<b>CASH RETAINED FROM OPERATING ACTIVITIES</b>		4 283 563	6 893 295
Kontant deur bedrywighede voortgebring/Cash generated by operations	16	-7 418 451	-1 701 834
Beleggingsinkomste/Investment income	16	-	-
(Toename)/afname in bedryfskapitaal/(Increase)/Decrease in working capital	17	4 057 529	4 204 581
Min: Eksterne rente betaal/Less External interest paid	16	-3 360 922	2 502 747
		-158 614	-176 004
<b>Kontant beskikbaar uit bedrywighede/Cash available from operations</b>		-3 519 535	2 326 743
Kontantbydraes van die publiek en die staat/Cash contributions from public and State		7 803 099	4 566 552
Netto opbrengs uit verkoop van vaste bates/Net proceeds on disposal of fixed assets			
<b>KONTANT GEBRUIK VIR BELEGGINGSBEDRYWIGHEDE</b>			
<b>CASH UTILIZED IN INVESTING ACTIVITIES</b>			
Bates afgeskryf/Assets written-off		-	-
Belegging in vaste bates/Investment in Fixed assets		-8 261 838	-4 647 708
NETTO KONTANTVLOEI/NET CASH FLOW		-3 978 275	2 245 587
<b>KONTANTUITWERKING VAN FINANSIERINGSBEDRYWIGHEDE</b>			
<b>CASH EFFECTS OF FINANCIAL ACTIVITIES</b>			
Toename/(Afname) in langtermynlenings/Increase/(Decrease) in long-term loans	18	-72 813	-123 609
(Toename)/Afname in korttermynlenings/Increase/(Decrease) in short-term loans		-	-
(Toename)/Afname in kontantbeleggings/(Increase)/Decrease in cash investments	19	-5 978 136	-1 878 972
(Toename)/Afname in kontant/(Increase)/Decrease in cash	20	2 072 675	-243 006
NETTO KONTANT (VOORTGEBRING)/GEBRUIK/NET CASH (GENERATED)/UTILISED		-3 978 275	-2 245 587

**AANTEKENINGE TOT DIE FINANSIËLE STATE VIR DIE JAAR GEEINDIG 30 JUNIE 2007**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2006/2007</b>	<b>2005/2006</b>
<b>1. Statutêre fondse:/Statutory funds:</b>		
Wentelfonds/Revolving fund	5 410 018	4 934 851
(Sien aanhangsel "A" vir meer besonderhede) (Refer to appendix "A" for more details)		
	<u>5 410 018</u>	<u>4 934 851</u>

**2. Trustfondse:/Trust funds:**

Erwe fonds	-	-
Diverse/Sundry	3 059 063	5 811 679
	<u>3 059 063</u>	<u>5 811 679</u>

(Sien aanhangsel "A" vir meer besonderhede)  
(Refer to appendix "A" for more details)

SIYANCUMA MUNICIPALITY  
FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2007.

**AANTEKENINGE TOT DIE FINANSIËLE STATE VIR DIE GEEINDIG 30 JUNIE 2007**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2006/2007	2005/2006
<b>3. Langtermynverpligtinge/Long-term Liabilities</b>		
Eksterne Lenings/External Loans		
DBSA	1 117 374	1 173 065
Sanlamlenings	0	17 122
	<u>1 117 374</u>	<u>1 190 187</u>
	159 120	139 135
Min: Onbestede geld/Less: Unspent monies	<u>-</u>	<u>-</u>
Min: Korttermyngedeelte/Less: Short-term portion	<u>159 120</u>	<u>139 135</u>
	<u><u>958 254</u></u>	<u><u>1 051 052</u></u>
<b>4. Verbruikersdeposito's: dienste/Consumer Deposits</b>		
Elektrisiteit en water/Electricity and water	<u>147 803</u>	<u>124 899</u>
<b>5. Vaste bates:/Fixed Assets:</b>		
Vaste bates aan die begin van die jaar/ Fixed Assets at the beginning of the year	66 237 415	61 589 707
Vaste bates gedurende die jaar aangeskaf of ontvang/ Fixed Assets acquired during the year	-	-
Min: Bates gedurende die jaar afgeskryf, oorgeplaas of mee weggedoen/ Less: Fixed Assets written off, transferred or sold	8 261 838	4 647 708
	-	-
	0	0
	<u>-</u>	<u>-</u>
Totale Vaste bates/Total fixed assets	74 499 253	66 237 415
Min: Lenings gedelg en ander kapitaalontvangstes Less: Loans redeemed and other capital receipts	73 381 878	65 047 227
	<u>-</u>	<u>-</u>
Netto Vaste Bates/Net Fixed Assets	<u><u>1 117 375</u></u>	<u><u>1 190 188</u></u>

Sien aanhangsel C vir meer besonderhede.  
Refer to Appendix C for more information.

**AANTEKENINGE TOT DIE FINANSIËLE STATE VIR DIE GEEINDIG 30 JUNIE 2007**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2006/2007	2005/2006
<b>6. Beleggings:/Investments:</b>		
Ongenoteerde beleggings teen bestuur se waardasie:/ Unlisted investments at management valuation:		
Vaste deposito/ Fixed Deposit	35 235	33 441
	<u>35 235</u>	<u>33 441</u>
Korttermyn depositos/Shortterm deposit	1 083 055	2 770 236
	<u>1 118 290</u>	<u>2 803 677</u>
<p>Omsendingbrief Nr C/43/1993 van 1993 wat deur Provinsiale Administrasie, Afdeling Gemmenskapsontwikkeling, uitgereik is, vereis van Plaaslike Owerhede om fondse wat nie onmiddellik benodig word nie, by voorgeskrewe instellings te bele. Die beleggingstydperke moet sodanig wees dat dit nie nodig sal wees om geld teen 'n boete rentekoes teen die beleggings te leen ten einde verpligtinge na te kom nie.</p>		
<b>7. Langtermyndebiteure:/Long-term debtors</b>		
Amptenare lenings/Personnel loans	<u>-</u> 0	<u>0</u> 0
Min: Korttermyngedeelte/Less: Short-term portion	<u>-</u> <u>0</u>	<u>-</u> <u>0</u>
<b>8. Debiteure:/Debtors</b>		
Lopende Debiteure (Verbruikers )/Debtors(Consumers)	19 284 387	16 504 478
Projekte/Projects	<u>170 823</u>	<u>170 823</u>
	19 455 211	16 675 301
Min: Voorsiening vir slegte skulde/Less: Provision for bad debts	-14 581 042	-9 200 018
Diverse debiteure	<u>14 104</u>	<u>3 166</u>
	<u>4 888 272</u>	<u>7 478 448</u>
Oninbare debiteure afgeskryf/ Unrecoverable debtors written off	<u></u>	<u></u>



**AANTEKENINGE TOT DIE FINANSIËLE STATE VIR DIE JAAR GEEINDIG 30 JUNIE 2007**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2006/2007	2005/2006
<b>9. Voorsienings:/Provisions:</b>		
Voorsienings: Verlof/Provision; Leave	222 883	311 718
	<u>222 883</u>	<u>311 718</u>
<b>10. Krediteure:/Creditors</b>		
Momentum Salaries	1 317	0
BTW kontrole	2 061 273	154 365
BTW Voorsienings rekenings	488 577	1 713 467
Pojekte/Projects	-	-
Diverse krediteure	1 009 485	251 851
Vooruitbetaalde debiteure	57 018	30 634
	<u>3 617 669</u>	<u>2 150 317</u>
<b>11 Eiendomsbelasting:/Assessment Rates:</b>		
	Grond Waardasie/ Land Valuation on 2001/07/01	Werklike Inkomste Actual Income 2006/2007
Inkomste/Income	3 342 378	3 378 576
Waardasies	-	
Vrygestel	-	
Belasbare waardasies	<u>-</u>	<u>-</u>
Belasbare Eiendom:/Taxable Property	-	-
Nie Belasbare Eiendom Rente/Non-taxable property	-	-
Tarief/Tariefs	-	
Heffingsinkomste	-	
Min: korting op Staateiendomme	<u>-</u>	<u>-</u>

**AANTEKENINGE TOT DIE FINANSIËLE STATE VIR DIE JAAR GEEINDIG 30 JUNIE 2007**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2006/2007	2005/2006
<b>12 Raadslede en Senior Bestuur se Toelaes:</b>		
<b>Councillor's and Senior Management Remuneration:</b>		
Burgermeester se Toelae/Mayor's allowance/salary	527 893	222 237
Onderburgemeester se Toelae/Deputy Mayor's allowance/salary	-	0
Raadslede se Toelaes/Councillor's allowances	1 338 046	332 440
Pensioenfonds Bydraes	0	48 431
Mediesefonds Bydraes	0	28 273
Municipal Manager	474 002	431 697
Chief Financial Officer	464 690	410 080
LED Officer	247 057	234 549
Infrastructure Manager	335 500	0
	<u>3 387 188</u>	<u>1 707 707</u>
 <b>13 Ouditeursvergoeding:/</b>		
<b>Auditors' Remuneration:</b>		
Ouditgelde/Audit fees	<u>213 308</u>	<u>621 345</u>
 <b>14 Finansieringstransaksies:/</b>		
<b>Financial transactions:</b>		
<i>Totale eksterne rente verdien of betaal/</i>		
<i>Total external interest earned or paid</i>		
Rente verdien: Beleggings en debiteure		
Interest earned: Investments and debtors	557 997	198 876
Rente betaal/Interest paid	359 121	242 518
 <i>Kapitaalkoste teen bedryfsrekening gedebiteer</i>		
<i>Capital charges debited to operating account</i>		
Rente: Ekstern/Interest: External	158 614	176 004
Rente: Intern/Interest: Internal		0
Delging: Ekstern/Redemption: External	72 813	123 609
Delging: Intern/Redemption: Internal		0
	<u>231 427</u>	<u>299 613</u>
 <b>15 Aanwendings</b>		
<b>Appropriations:</b>		
<i>Aanwendingsrekening/Appropriations</i>		
Onaangewende oorskot aan die begin van die jaar/		
Accumulated surplus at the beginning of the year	-5 835 973	1 088 931
Surplus/ (Tekort) vir die jaar/Surplus/(Deficit) for the year	-5 568 268	-7 030 944
Aansuiwerings van vorige jaar/Prior year adjustments	96 058	106 040
	<u>-11 308 183</u>	<u>-5 835 973</u>
 Aansuiwerings van vorige jaar/Prior year adjustments		
Vaste bates/Fixed assets		
Afskrywing van krediteure/Writing off previous years creditors	0	0
Regstelling van vorige jaar debiteure/ Correction of previous year debtors	0	0
Diverse/Sundry	0	0
	<u>0</u>	<u>0</u>
 <i>Bedryfsrekening/Operating account</i>		
Kapitaaluitgawe/Capital expenditure		
Bydrae: Wentelfonds/Contributions: Revolving fund	52 846	281 797
Bydrae: Verlofreserwefonds/Contribution: Leave reserve	-	-
Bydrae tot vaste bates	458 739	81 155
Slegte Skulde en Huurverlies/Bad debts and loss rent	5 381 024	6 139 589
	<u>5 892 609</u>	<u>6 502 541</u>

**AANTEKENINGE TOT DIE FINANSIËLE STATE VIR DIE JAAR GEEINDIG 30 JUNIE 2007**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2006/2007	2005/2006
<b>16 Kontant deur bedrywighede voortgebring</b>		
<b>Cash generated by operations:</b>		
(Tekort) / Oorskot vir die jaar/(Deficit)/Surplus for the year	-5 568 267	-7 030 943
Aansuiwerings tov. vorige jare se bedryfstransaksies/ Adjustments in respect of previous years	96 058	106 040
Aanwendings teen Inkomste gedebiteer:/	9 838 061	2 756 640
Wentelfonds/Revolving fund	52 846	281 797
Trustfonds/ Trust funds	3 945 451	-
Voorsienings en reserves/Provisions and reserves	5 381 024	2 393 688
Vaste bates/Fixed Assets	458 739	81 155
Kapitaal Uitgawes/Capital Expenditure	231 589	299 775
Rente betaal/ Interest paid	158 614	176 004
Interne Fondse/Internal Funds		
Eksterne Lenings/External loans	158 614	176 004
Delging betaal/ Redemption paid	72 975	123 771
Intern/Redemption: Internal	-	-
Ekstern/Redemption: External	72 975	123 771
Belegging inkomste/Investment income	-	-
Bedryf rekening/Operating account	-	-
Nie bedryf rekening/Non operating account	-	-
Nie bedryfuitgawes/ Non operating expenditure	-12 079 092	-5 037 538
Nie bedryfinkomste/ Non operating income	63 200	-
	<u>-7 418 451</u>	<u>-8 906 026</u>
 <b>17. (Toename) / Afname in Bedryfskapitaal</b> <b>(Increase) /Decrease in working capital</b>		
(Toename) / Afname in Debiteure/(Increase)/Decrease in Debtors	2 590 177	3 634 106
Toename / (Afname) in Krediteure/Increase/(Decrease) in Creditors	1 467 352	630 920
	<u>4 057 529</u>	<u>4 265 026</u>
 <b>18. Toename / (Afname) in Langtermynlenings (Ekstern)</b> <b>Increase/(Decrease) in long-term loans (External)</b>		
Min: Lenings terugbetaal /Less: Loans repaid	-72 813	-123 609
	<u>-72 813</u>	<u>-123 609</u>

SIYANCUMA MUNICIPALITY  
FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2007.



**AANTEKENINGE TOT DIE FINANSIËLE STATE VIR DIE JAAR GEEINDIG 30 JUNIE 2007**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2006/2007	2005/2006
<b>19 (Toename) / Afname in Eksterne Kontantbeleggings (Increase) /Decrease in external investments</b>		
Beleggings gemaak/Investments made	-5 978 136	-1 878 972
Beleggings gerealiseer/Investments realised	0	
	<u>-5 978 136</u>	<u>-1 878 972</u>
<b>20 (Toename) / Afname in kontant voorhande (Increase) /Decrease in cash on hand</b>		
Banksaldo - Begin van die jaar./Bank balance - Beginning of the year	-2 784 630	-3 027 636
Less: Cash balances at the end of the year	4 857 305	2 784 630
Bates afgeskryf/Assets written off	-	-
	<u>2 072 675</u>	<u>-243 006</u>
<b>21 Aftreevoordele Retirement Benefits</b>		
<p>Die amptenare behoort aan Sala, Kaapse Gemeenskaplike Pensioen en Aftreefonds, Imatu en Samwu. Die Raadslede aan die Kaapse Gemeenskaplike en Aftreefonds. Die aktuariële waarde kan by navraag voorgelê word.</p> <p>The officials are members of SALA, Cape Joint Pension and Retirement Fund, Imatu and SAMWU. Councillors are members of the Cape Joint Pension and Retirement Fund. The actual valuation can be provided on request.</p>		
<b>22 Voorwaardelike aanspreeklikheid en Kontraktuele verpligtings Contingent liabilities and contractual obligations</b>		
<p>Die Raad het geen voorwaardelike aanspreeklikheid of kontraktuele verpligtinge nie.</p> <p>The Council has no contingent liabilities and contractual obligations.</p>		
<b>23 Kapitaalverpligtings/ Capital commitments</b>		
Verpligtings ten opsigte van kapitaaluitgawe:/		
Commitments in respect of capital expenditure:		
- Goedgekeur en gekontrakteer/Approved and contracted	-	-
- Goedgekeur maar nog nie gekontrakteer/Approved but not contracted	-	-
	<u>-</u>	<u>-</u>
Hierdie uitgawe sal uit die volgende gefinansier word:/		
This expenses will be financed from:		
- Interne bronne/Internal sources	-	-
- Eksterne bronne/External sources	-	-
	<u>-</u>	<u>-</u>

**AANTEKENINGE TOT DIE FINANSIële STATE VIR DIE JAAR GEEINDIG 30 JUNIE 2007**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2006/2007</b>	<b>2005/2006</b>
<b>24. Wentelfonds/ Revolving Fund</b>		
Uitstaande voorskote aan leendienste/ Outstanding advances to borrowing services	-	-
Opgehoopte fonds /Accumulated Funds	5 410 018	4 934 851
	<u>5 410 018</u>	<u>4 934 851</u>
( Verwys na Aanhangsel A & B vir meer besonderhede) ( Refer to appendix A & B for more details)		
<b>25. Unauthorised expenditure</b>		
Operating expenditure	<u>2 995 365</u>	<u>2 336 540</u>
	<u>2 995 365</u>	<u>2 336 540</u>
Section 125(2)(d) of the MFMA: The actual expenditure for the year of R38 022 638 exceeds the budget of R35 027 273.		
<b>26. Irregular expenditure</b>		
Mayor allowance	120 868	40 600
Part time councillors allowances	<u>361 190</u>	<u>0</u>
	<u>482 058</u>	<u>40 600</u>
The councillors received allowances more than the upper limits set in Government Gazette no. 29447 of 1 December 2006 in relation to the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998)		

## AANHANGSEL A/APPENDIX A

**Opgehoopte Fondse, Trustfondse, Reserwes en Voorsienings : Jaareinde 30 Junie 2007.**  
**Accumulated Funds, Trust funds, Reserves and Provisions : Year End 30 June 2007**

	Saldo op/ Balance at 2006/06/30	Bydraes Gedurende die jaar/ Contributions during the year	Rente op beleggings/ Interest on investments	Ander Inkomste/ Other Income	Uitgawes gedurende die jaar Expenditure during the year	Saldo op/ Balance at 2007/06/30
	R	R	R	R	R	R
<b>Opgehoopte Fondse:/Accumulated Funds:</b>						
Wentelfonds/Revolving fund	4 934 851	52 846	359 121	63 200	-	5 410 018
	4 934 851	52 846	359 121	63 200	-	5 410 018
<b>Trustfondse:/Trust Funds</b>						
Skoonmaak project/Cleaning project	-23 127				-23 127	-
Steenmaak projek/Brick making project - Smitdsdrift	2 717	-	-	-	-	2 717
Library project	-	-	-	-	6 000	-6 000
WSA Kapasiteitsbou/WSA Capacity building	58 014	541 844	-	-	577 867	21 991
Skoonmaak project/Cleaning project	4 049				4 049	-
IMPUMELELO AWARDS AIDS	26 092	31 353	-		31 353	26 092
TAR ROAD CAMPBELL	-7 590	85 090	-	-	160 075	-82 575
Bongani Riool / Sewerage Bongani DC	-45 730	7 020	-	-	-	-38 710
MIG	4 538 768	6 117 291	-	-	9 285 875	1 370 184
MSIG	708 608	805 535	-	-	638 755	875 388
FMG Grand	-30 756	555 001	-	-	343 186	181 059
Drough Relief	116 645	-	-	-	-	116 645
Expanded Pubic Works Program	172 382	78 054	-	-	254 750	-4 314
LG Seta	-	-	-	-	18 000	-18 000
Schmidtsdroft Electrification	-	1 105 287	-	-	782 309	322 979
Upgrading Bongani Waterpipeline	291 607	-	-	-	-	291 607
	5 811 679	9 326 475	-	-	12 079 092	3 059 063
<b>Voorsienings:/Provisions:</b>						
Verlofuitbetalings/Leave payments	311 718	-	-	-	88 835	222 883
Oninbare skulde/Provision for bad debts	9 200 018	5 381 024	-	-	-	14 581 042
	-	-	-	-	-	-
	-	-	-	-	-	-
	9 511 736	5 381 024	-	-	88 835	14 803 925
=						
	20 258 266	14 760 345	359 121	63 200	12 167 927	23 273 006

SIYANCUMA MUNICIPALITY  
 FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2007.

AANHANGSEL B/APPENDIX B  
**Eksterne Lenings en Interne Voorskotte : Jaareinde 30 Junie 2007**  
**External Loans and Internal Advances Year End 30 June 2007.**

	Saldo op Balance at 2006/06/30	Gedurende die jaar ontvang Received during the year	Regstellings Corrections	Gedurende die jaar gedelg of afgeskryf Redeemed or write off during the year	Saldo op Balance at 2007/06/30
<b>EKSTERNE LENINGS/EXTERNAL LOANS</b>					
DBSA	1 173 065	-	-	55 691	1 117 374
INCA	17 122	-	-	17 122	0
	0	-	-	0	0
	0	-	0	0	0
	1 190 187	-	0	72 813	1 117 374
<b>INTERNE VOORSKOTTE/INTERNAL ADVANCES</b>					
Wentelfonds/Revolving fund	0	-	-	0	0
	0	-	-	0	0

SIYANCUMA MUNICIPALITY  
 FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2007.



## AANHANGSEL C/APPENDIX C

ONTLEDING VAN VASTE BATES 30 JUNIE 2006/ANALYSIS OF FIXED ASSETS : 30 JUNE 2007

Uitgawe Expenditure 2006		Begroet Budgeted 2007	Saldo Balance 2006/06/30	Uitgawe Expenditure 2006/2007	Afgeskryf/ Oorgeplaas Written off/ transferred	Saldo Balance 2007/06/30
3 286 437	<b>Belasting en Algemene Dienste/ Rates and General Services</b>	-	43 386 136	6 992 618	-	50 378 754
2 599 861	<i>Gemeenskapsdienste/ Community Services</i>	-	21 178 819	1 596 634	-	22 775 453
1 421 370	Werke en Paale/Streets	-	5 361 652	1 074 484	-	6 436 136
-	Openbare Werke/Public works	-	1 447 858	-	-	1 447 858
-	Strate en Stormwater	-	2 479 398	-	-	2 479 398
1 135 641	Meent/Communal	-	791 913	-	-	791 913
-	Stadsklerk/Treasury	-	1 297 186	-	-	1 297 186
-	Gesondheidsdienste/Health services	-	165 000	-	-	165 000
-	Raadseleindomme/Council properties	-	8 660 861	-	-	8 660 861
42 850	Raad algemeen/General	-	557 955	-	-	557 955
-	Stadsadministrasie/Administration	-	416 996	522 149	-	939 145
38 678	<i>Gesubsidieerde dienste/Subsidised services</i>	-	12 310 275	458 739	-	12 769 014
14 629	Tennisbaan en speelterrein	-	6 681	-	-	6 681
-	Geboue/Buildings	-	81 320	-	-	81 320
-	Gemeenskapsaal	-	279 987	-	-	279 987
19 950	Begraafplaats/Cemetery	-	103 006	-	-	103 006
4 099	Parke en ontspanning/Park and recreation	-	3 349 201	-	-	3 349 201
-	Biblioteek/Library	-	1 282 511	6 000	-	1 288 511
-	Douglas vakansie - oord	-	7 021 000	452 739	-	7 473 739
-	Gemeenskapsfasiliteite/Community facilities	-	186 569	-	-	186 569
647 898	<i>Ekonomiese dienste/Economic services</i>	-	9 897 042	4 937 245	-	14 834 287
647 898	Reinigingsdienste/Refuse	-	2 278 367	-	-	2 278 367
-	Riolering/Sewerage	-	7 618 675	4 937 245	-	12 555 920
-	<b>Behuisingsdienste/Housing services</b>	-	1 667 535	449 050	-	2 116 585
-	Sub Ekonomiese Behuising/Sub Economic Housing	-	1 667 535	449 050	-	2 116 585
1 354 545	<b>Handelsdienste/Trading services</b>	-	21 183 744	820 171	-	22 003 915
1 354 545	Water/Water	-	21 183 744	820 171	-	22 003 915
1 354 545	Elektrisiteit/Electricity	-	10 153 305	-	-	10 153 305
-	-	-	11 030 439	820 171	-	11 850 610
4 640 982	<b>TOTALE VASTE BATES</b>	-	66 237 415	8 261 838	-	74 499 253
4 771 316	<b>Min: Lenings gedelg en ander Kapitaalontvangste</b>	-	65 047 227	8 334 651	-	73 381 878
4 771 316	Lenings gedelg en voorskotte terugbetaal/	-	65 047 227	8 334 651	-	73 381 878
123 609	Loans redeemed and advances paid back	-	3 253 160	72 813	-	3 325 973
-	Bydraes uit bedryfsinkomste/Contributions ex operating income	-	-	-	-	-
81 155	Voorsiening en reserwes/Provisions and reserves	-	6 792 885	458 739	-	7 251 624
4 566 552	Skenking en subsidies/Grants and subsidies	-	1 197 949	-	-	1 197 949
-	Tydellike voorskotte/Temporary advances	-	53 648 167	7 803 099	-	61 451 266
-	-	-	155 066	-	-	155 066
-130 334	<b>Netto Vaste Bates/Net Fixed Assets</b>	-	1 190 188	-72 813	-	1 117 375

## AANHANGSEL D/APPENDIX D

Ontleding van Bedryfsinkomste en -Uitgawe vir die jaar geëindig 30 Junie 2007

Analysis of Operating Income and -Expenditure for the year ended 30 June 2007

Werklik Actual 2006 R		Werklik Actual 2007 R	Begroot Budgeted 2007 R
<b>Inkomste/Income</b>			
5 974 631	Skenkings en subsidie/Subsidies	7 012 144	7 222 504
8 921 109	Inter owerheidstoekennings/Equitable share	10 762 728	10 762 728
-2 946 478	Min: Subsidies toegestaan/ Less subsidy allocated	-3 750 584	-3 540 224
-	Staat en Provinsiale hulptoelaes en Subsidies/		
-	Government and Provincial grants	-	-
22 936 509	Bedryfsinkomste/ Operating income	25 442 226	27 817 845
664 722	Algemene inkomste/General income	3 792 781	3 473 051
198 876	Rente/Interest	184 786	176 404
4 254 086	Waterverkope/Sale of water	4 942 859	5 733 468
9 825 663	Elektrisiteit verkope/Sale of electricity	8 291 097	8 484 323
4 614 586	Reinigings/Sanitation	4 889 434	4 884 590
3 378 576	Eiendombelasting/Property rates	3 341 269	5 066 009
28 911 140	Total inkomste/Total income	32 454 371	35 040 349
<b>Uitgawes/Expenditure</b>			
14 933 291	Salarisse, lone en toelaes/Salaries, wages and allowances	16 845 883	15 515 621
11 427 077	Algemene onkoste/General expenses	12 194 929	11 542 869
5 288 548	- Aankoop van elektrisiteit/bulk electricity	6 419 654	5 670 582
6 138 529	- Ander algemene onkoste/Other general expenses	5 775 275	5 872 287
1 786 466	Herstel en Onderhoudswerke/Repairs and maintenance	2 028 883	1 812 033
1 293 981	Kapitaaloonkoste/Capital charges	1 519 654	1 387 243
81 155	Bydraes tot vaste bates/Contributions to fixed assets	1 811	19 785
6 421 386	Bydraes tot Fondse Reserwes en Voorsienings/Contributions	5 433 870	5 433 870
-1 271	Min: Uitdebiteuring	-2 392	-684 148
35 942 085	Bruto Uitgawe/Gross Expenditure	38 022 638	35 027 273

SIYANCUMA ML  
FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2007.

## AANHANGSEL E / ANNEXURE E

GEDETAILLEERDE INKOMSTESTAAT VIR DIE JAAR GEËINDIG 30 JUNIE 2007  
DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNIE 2007

Werklike Inkomste Actual Income 2006 R	Werklike uitgawe Actual expenditure 2006 R	Oorskot/Surplus (Tekort/Deficit) 2006 R		Werklike Inkomste Actual Income 2007 R	Werklike uitgawe Actual expenditure 2007 R	Oorskot/Surplus (Tekort/Deficit) 2007 R	Begroot Oorskot/ (Tekort) 05/06 Budget Surplus/ (Deficit) 06/07 R
14 831 391	26 932 092	-12 100 700	<b>Belasting en algemene dienste</b> <b>Rates and general services</b>	16 211 349	27 842 308	-11 630 959	-6 759 633
9 930 834	20 823 299	-10 892 464	<i>Gerneenskapsdienste/Community Services</i>	11 075 988	21 109 021	-10 033 033	-5 379 743
3 378 576	-	3 378 576	Eiendomsbelasting/ Rates and taxes	3 342 378	-	3 342 378	5 702 953
6 146 918	12 328 781	-6 181 863	Raad algemene uitgawe/ Council general expenses	7 301 399	12 294 083	-4 992 684	-5 169 018
-	68 544	-68 544	Dreineringsvroe/Irrigation furrows	-	85 144	-85 144	-53 505
60 871	27 732	33 139	Meent/Commonage	42 292	1 683	40 608	35 621
30 905	5 468 102	-5 437 197	Stadsadministrasie/Administration	19 057	5 324 883	-5 305 826	-3 437 620
254 940	142 634	112 306	Verkeersdienste/ Traffic services	312 394	123 969	188 425	122 822
56 225	326 378	-270 154	Eiendomme grond en geboue/Property and buildings	54 268	244 959	-190 691	-39 345
-	29 777	-29 777	Hulpotoelaes/Aid allowances	-	31 130	-31 130	-4 942
2 400	34 378	-34 378	Gesondheidsdienste/Health services	4 200	79 884	-79 884	-2 599 539
-	2 396 972	-2 394 572	Openbare werke/Public works	-	2 923 284	-2 919 084	62 830
-	-	0	Skut/Pound	-	-	0	-
285 971	2 452 706	-2 166 736	<i>Gesubsidieerde Dienste/Subsidised Services</i>	245 927	2 781 273	-2 535 346	-2 230 407
-	357 033	-357 033	Burgersentrum	-	376 382	-376 382	-780 596
20 482	72 885	-52 403	Begraafplaa/Cemetary	17 395	77 397	-60 002	-28 194
3 886	344 028	-340 142	Biblioteek/Library	4 427	463 227	-458 800	-354 472
2 460	570 539	-568 079	Parke en ontspanning/Parks and recreation	4 362	586 805	-582 443	-450 578
259 143	1 102 572	-843 429	Vakansie Oord	219 744	1 268 121	-1 048 377	-605 639
-	5 650	-5 650	Brandbestryding/Fire bigrade	-	9 341	-9 341	-10 928
4 614 586	3 656 086	958 500	<i>Ekonomiese Dienste/Economic Services</i>	4 889 434	3 952 015	937 420	850 517
2 062 849	1 712 147	350 703	Reinigingsdienste/Refuse	2 214 452	1 778 025	436 426	315 624
2 551 737	1 943 940	607 797	Riolering/Sewerage	2 674 982	2 173 989	500 993	534 893
-	-	-	<i>Behuisingsdiens/Housing services</i>	0	0	0	-
-	-	-	Ekonomiese behuising/Economical housing	-	-	-	-
-	-	-	Behuisingsdienste/Housing services	-	-	-	-
14 079 749	9 009 993	5 069 756	<i>Handelsdienste/Trading Services</i>	16 243 022	10 180 331	6 062 691	5 490 838
9 825 663	7 417 120	2 408 542	Elektrisiteit/Electricity	11 221 817	8 763 843	2 457 974	2 408 542
4 254 086	1 592 873	2 661 214	Water/Water	5 021 205	1 416 487	3 604 717	3 082 296
28 911 141	35 942 084	-7 030 944	<b>Totaal/Total</b>	32 454 371	38 022 638	-5 568 268	-1 268 795
			Aanwendings vir jaar(Verwys na aantekening 18)			96 058	
		106 040	Appropriations for the year (Refer to note 18)				
		-6 924 904	Netto oorskot /(tekort) vir die jaar			-5 472 210	
			Net surplus/(deficit) for the year				
			Onaangewende oorskot/(opgehoopde tekort)				
			aan die begin van die jaar				
		1 088 932	Accumulated surplus/(deficit) at the beginning of the year			-5 835 972	
			Onaangewende oorskot/(opgehoopde tekort)				
			aan die einde van die jaar				
		-5 835 972	Accumulated surplus/(deficit) at the end of the year			-11 308 180	

SIYANCUMA MUNICIPALITY  
FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2007.

## AANHANGSEL F/APPENDIX F

	2006/2007	2005/2006
<b>Algemene statistiek/General statistic</b>		
Bevolking/Population	35000	35000
Aantal geregistreerde kiesers/Registered voters	16004	16004
Oppervlakte (km)	100280ha	100280ha
Totale waardasies:/Valuations		
- Belasbaar /Taxable (R'000)		139949492
- Nie - belasbaar/Non-taxable (R'000)		9698271
- Residensieel/Residential (R'000)		96713103
- Komersieel/Commercial (R'000)		52934660
Waarderingsdatum/Valuation date: 1 Julie 2000		
Aantal persele/Number of erven:		
- Residensieel /Residential	4632	4632
- Komersieel /Commercial	189	189
Eiendomsbelastingkoers/Assessment rate		
- Basies (per rand)		2c in R1.00
- Korting: residensieel/Discount: residential		20% slegs staat
Aantal werknemers/Number of employees		147

**Elektrisiteitstatistiek**

Eenhede (kWh) aangekoop ('000)/Units (kWh) purchased  
 Eenhede (kWh) verkoop ('000)/Units (kWh) sold ('000)  
 Eenhede (kWh) verlore gegaan met verspeiding/  
 Unit (kWh) lost with distribution  
 Persentasie verlies met verspreiding/Presentation loss  
 Koste per eenheid verkoop/Cost per unit sold  
 Inkomste per eenheid verkoop/Income per unit sold

**Waterstatistiek**

Kl gepomp/Kl pumped  
 Kl verkoop/Kl sold  
 Kl verlore gegaan met verspreiding/Kl distribution loss  
 Persentasie verlies met verspreiding/Presentation loss  
 Koste per Kl verkoop/Cost per Kl sold  
 Inkomste per kl verkoop/Income per kl sold

**REPORT OF THE AUDITOR-GENERAL TO THE NORTHERN CAPE PROVINCIAL  
LEGISLATURE ON THE FINANCIAL STATEMENTS AND PERFORMANCE  
INFORMATION OF SIYANCUMA MUNICIPALITY FOR THE YEAR ENDED  
30 JUNE 2007**

**REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I was engaged to audit the accompanying financial statements of the Siyancuma Municipality which comprise the balance sheet as at 30 June 2007, income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 3 to 8 and 17 to 27.

**Responsibility of the accounting officer for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the entity-specific basis of accounting, as set out in accounting policy note 1 to the financial statements, and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes:
  - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - selecting and applying appropriate accounting policies
  - making accounting estimates that are reasonable in the circumstances.

**Responsibility of the Auditor-General**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996, read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit in accordance with the International Standards on Auditing. Because of the matters discussed in the basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

**Basis of accounting**

4. The municipality's policy is to prepare financial statements on the entity-specific basis of accounting as described in note 1 of the accounting policies to the financial statements.

## **Basis for disclaimer of opinion**

### **5. Assets**

- a) As a result of incomplete details in the asset register it was not possible to link the assets to its location, department, cost centre, asset class and asset type. Furthermore, the room asset lists were not up to date and could therefore not be used as an additional source of reference. Consequently, the completeness, existence and valuation of the assets disclosed in the financial statements as R1 117 375 could not be confirmed.
- b) Due to the lack of proper asset management practices by the municipality, no disposals were disclosed in the financial statements. The asset register, however, indicated disposals amounting to R312 252.
- c) Annexure C indicated that assets procured from operating income amounted to R458 739. Annexure D, however, indicated that assets procured from operating income amounted to R1 811. No explanations could be obtained from management for the difference of R456 928.

### **6. Debtors**

- a) The provision for bad debt was disclosed as R14 581 042 in note 8 to the financial statements. The municipality did not use any basis to determine the adequacy of the provision. According to the age analysis at 30 June 2007, debtors older than 90 days amounted to R16 630 162. The provision was therefore understated, resulting in debtors being overstated by approximately R2 049 120.
- b) Due to the lack of financial management discipline in performing reconciliations the debtor amount of R19 284 387 as disclosed in note 8 to the financial statements differed from the age analysis by an amount of R101 922. The difference could not be explained by the municipality.

### **7. Revenue**

- a) Assessment rates – note 11 to the financial statements did not disclose any information with regard to valuations and tariffs. The accuracy and completeness of the rates income disclosed in the financial statements as R3 342 378 could therefore not be confirmed.
- b) The valuation information disclosed in note 11 differed from the information on the system by an amount of R105 154 due to inadequate review of information disclosed in the financial statements.
- c) Management had the obligation to put in place controls to manage rental income. Rental agreements could not be obtained for the renting of municipal properties. An approved council policy on rental tariffs did not exist. The accuracy, validity and completeness of rental income amounting to R92 916 could therefore not be confirmed.

## **8. Expenditure**

- a) The management of the centralised filing system did not function effectively, resulting in payments amounting to R221 849 not being provided for audit purposes. Therefore the accuracy, validity, classification and occurrence of the expenditure could not be confirmed.
- b) Payments totalling R204 190 were made without sufficient supporting documentation attached. The validity of these payments could not be confirmed.
- c) Payments totalling R499 508 were made with copies of invoices, instead of original invoices, attached as supporting documentation. The validity of these payments could not be confirmed.

## **9. Value-added tax (VAT)**

- a) The municipality's accounting system was inadequate to account for VAT. Consequently, the general ledger accounts were not used for VAT calculation purposes. Separate spreadsheets were maintained for completion of the monthly VAT returns. A number of journals amounting to R488 577 were then posted to correct the general ledger VAT account balances. During the audit several cases were identified where input VAT was not claimed on claimable expenditure, where input VAT was erroneously claimed and where output VAT was not declared where it should have been declared. The VAT returns were not reviewed by a senior official as required for good financial management discipline.
- b) The municipality was registered to account for VAT on the cash basis. Transactions were subject to VAT when the municipality received money and/or when the municipality made the payment. Instances amounting to R188 338 were noted where input VAT was claimed before the actual payment was made.

## **10. Creditors**

- a) Due to the lack of a creditor list and a proper system to account for creditors, I was unable to determine the completeness of creditors disclosed as R3 617 669 in note 10 to the financial statements. Audit procedures performed revealed undisclosed creditors of at least R855 903.
- b) Calculation could not be submitted for the short-term portion of the long-term liabilities disclosed as R159 120.

## **11. Commitments**

- a) Due to the lack of a commitment register and a proper system to account for commitments, no commitments were disclosed in the financial statements. The municipality did not apply the definition of commitments, although various projects and lease agreements were, however, in progress at year-end that should have been disclosed as a commitment. Consequently, the accuracy and completeness of commitments could not be confirmed.

**12. Leave provision**

- a) Due to a lack of financial management discipline in maintaining adequate leave records, the leave provision of R222 883 could not be confirmed as accurate and complete.

**13. Accumulated surplus**

- a) As a result of various prior year errors not being corrected, as reported in the prior year's audit report, the accumulated surplus was understated by R3 676 733.
- b) Balances were incorrectly transferred from the previous year's trial balance.

Description	05-06 trial balance amount	06-07 general ledger amount	Difference
MIG grant	(4 514 089)	(4 538 768)	24 679
Output VAT control	(1 709 497)	(1 713 467)	3 970
VAT control paid/received	(168 684)	(251 800)	83 116
Sundry debtors	157 940	0	157 940

**14. Statutory funds**

- a) According to the Municipal Ordinance 20 of 1974 every council shall contribute to the revolving fund an amount of not less than 7,5% of the prior year's assessment rates. The current year's contribution of R52 846 was only a book entry and it was R197 749 less than the required minimum of R250 595.
- b) A policy on the allocation of interest did not exist. The amount recorded in the revolving fund account for interest received was R202 657. However, the interest received according to the third-party confirmation on the revolving investment was R8 012. The difference of R196 645 was interest that was not allocated to any of the funds indicated in appendix A to the financial statements.

**15. Trust funds**

- a) Supporting documentation for trust fund payments totalling R150 000 could not be obtained for audit purposes. The accuracy, validity, classification and occurrence of the expenditure could therefore not be confirmed. This resulted from the lack of financial management discipline in monitoring the internal controls relating to projects' expenditure management.
- b) Trust fund payments totalling R886 730 were made with copies of invoices, instead of original invoices, attached as supporting documentation. The validity of these payments could not be confirmed.



**Disclaimer of opinion**

16. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have been unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Siyancuma Municipality. Accordingly, I do not express an opinion on the financial statements.

**Emphasis of matter**

I draw attention to the following matters:

**17. Going concern**

The following conditions indicated the existence of a material uncertainty that may cast significant doubt on the municipality's ability to continue as a going concern:

- a) Debtors increased by 17% from the prior year to R19 455 211 at 30 June 2007.
- b) The debtors turnover in days was calculated as 278 days. This was considered exceptionally high and could result in serious cash flow problems for the municipality. It was also noted that 85% of debtors amounting to R16 630 162 was older than 90 days.
- c) The creditors payment period was calculated as 93 days, which could be a further indication that the municipality was experiencing cash flow problems. Furthermore, creditors should be paid within 30 days according to section 65 of the MFMA. However, payments amounting to at least R3 126 329 were not made within 30 days.
- d) Water and electricity distribution loss information was not disclosed in appendix F to the financial statements. Details and supporting evidence for the distribution losses incurred by the municipality could not be submitted. The amount of forfeited revenue could therefore not be calculated.
- e) Only 13% of statutory and trust funds were represented by investments, resulting in an un-invested portion of R7 386 026.
- f) The income statement indicated that the municipality realised a deficit of R5 568 267 for the 2006-07 year (2006: R7 030 943 deficit).
- g) The Douglas Holiday Resort realised a deficit of R1 130 352 (2006: R843 429 deficit, 2005: R733 213 deficit).

**18. Highlighting matters affecting the financial statements****18.1 Unauthorised expenditure**

As disclosed in note 25 to the financial statements, unauthorised expenditure to the amount of R2 995 365 was incurred, as the actual expenditure for the year of R38 022 638 exceeded the budget of R35 027 273.

## **18.2 Irregular expenditure**

As disclosed in note 26 to the financial statements, irregular expenditure to the amount of R482 058 was incurred, as the allowances of R1 865 939 received by the councillors were more than the upper limits of R1 383 881 set in Government Gazette no. 29447 of 1 December 2006 in relation to the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998).

## **OTHER MATTERS**

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

### **19. Non-compliance with applicable legislation**

#### **19.1 *Local Government Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA)***

- a) According to section 57 municipal managers and managers directly accountable to the municipal manager may be appointed to that position only in terms of a written employment contract and subject to a separate performance agreement. An employment contract for one manager could not be obtained. Signed performance agreements did not exist for the municipal manager, financial manager, administration manager and the infrastructure manager. Consequently, no performance reviews were performed for the 2006-07 financial year.
- b) Evidence could not be obtained that councillors disclosed their interests as required by schedule 1, section 5.

#### **19.2 *Income Tax Act, 1997 (Act No. 28 of 1997) (as amended)***

- a) As reported in the previous financial year fringe benefits arising from rental amounts paid for houses that were less than the market-related rental amounts have not been recognised as such in the IRP5s of the officials. Eight officials received the fringe benefit of a cellphone account being paid by the municipality. The fringe benefit was not indicated on the IRP5s of the officials. This was in contravention of paragraphs 2(d) and 9 of schedule 7 of the Income Tax Act, 1997 (Act No. 28 of 1997) (as amended).

#### **19.3 *Unemployment Insurance Act, 2001 (Act No. 63 of 2001) (as amended)***

- a) The unemployment insurance fund calculations were not in accordance with the legislation.

#### **19.4 *Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997)***

- a) An overtime agreement was not in place regulating to the approval of overtime in excess of the requirements of section 10.

## 20. Material corrections made to the financial statements submitted for audit

The financial statements, approved by the accounting officer and submitted for audit on 31 August 2007, have been significantly revised in respect of the following misstatements identified during the audit:

- a) Note 25 on unauthorised expenditure amounting to R2 995 365 was included in the financial statements as required by section 125(2)(d) of the MFMA.
- b) Note 26 on irregular expenditure amounting to R482 058 was included in the financial statements.
- c) An accounting policy for leased assets was included in the financial statements.

## 21. Internal control

Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes of the matters indicated as they relate to the five components of internal control. In some instances deficiencies exist in more than one internal control component.

Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
<b>Basis for disclaimer of opinion</b>					
Assets			X		X
Debtors	X		X	X	X
Revenue			X	X	X
Expenditure			X		X
Value-added tax			X	X	X
Creditors			X		X
Commitments			X		X
Leave provision			X		X
Accumulated surplus			X		X
Statutory funds			X		X
Trust funds			X		X
<b>Emphasis of matter</b>					
Going concern	X		X		X
<b>Other matters</b>					
Non-compliance with applicable legislation	X		X		X
Material corrections to the financial statements	X		X		X

## **22. Unaudited supplementary schedules**

The supplementary schedule as set out in appendices A to F did not form part of the financial statements and was presented as additional information. I have not audited these schedules and accordingly do not express an opinion on them.

## **OTHER REPORTING RESPONSIBILITIES**

### **Reporting on performance information**

23. I was engaged to audit the performance information.

### **Responsibility of the accounting officer**

24. In terms of section 121(3)(c) of the MFMA the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the MSA.

### **Responsibility of the Auditor-General**

25. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with *General Notice 646 of 2007*, issued in *Government Gazette No. 29919 of 25 May 2007* and section 45 of the MSA.

26. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

27. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

### **Audit findings**

#### **Non-compliance with regulatory requirements**

28. No reporting of performance information

The annual report of Siyancuma Municipality did not include the annual performance report of the municipality in terms of section 46 of the MSA, as required by section 121(3)(c) of the MFMA.

29. Content of the integrated development plan

The integrated development plan of Siyancuma Municipality did not include the key performance indicators and targets as required by section 26(i) of the MSA.

## APPRECIATION

30. The assistance rendered by the staff of Siyancuma Municipality during the audit is sincerely appreciated.

*Auditor - General*

Kimberley

30 November 2007



A U D I T O R - G E N E R A L